

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 4053-01
BILL NO.: HB 2054
SUBJECT: Police Relief Association Benefits
TYPE: Original
DATE: March 8, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$11,081)	(\$11,081)	(\$11,081)
Total Estimated Net Effect on <u>All</u> State Funds	(\$11,081)	(\$11,081)	(\$11,081)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Kansas City Police Benefit Association** and the **St. Louis Police Relief Association** assume their organizations would not be fiscally impacted by the proposal.

Officials of the **Department of Social Services - Division of Child Support Enforcement (DCSE)** assume the proposal would exempt certain police benefits from execution, garnishment, attachment or any other process whatsoever. This would appear to include income withholding orders issued by DCSE. Section 454.505.13, RSMo, specifically includes under the definition of income, pension or retirement programs, as mandated by Section 42 USC (a)(1)(A). This section requires that the state have laws which allow for income withholding and specifically requires that such income include payments pursuant to a pension or retirement program per 42 USC 666 (d)(8). Consequently, DCSE assumes that violation of federal mandates would result in the loss of federal child support funds, which currently total \$74,369,771 annually. They assume general revenue would continue to fund the child support program in lieu of federal funds.

Oversight assumes if it is determined the proposal does violate federal mandates, the possibility of sanctions by the federal government could exist. However, the likelihood of such sanctions would be speculative. Therefore, for fiscal note purposes, no impact to federal funds is reflected.

Officials of the **Department of Revenue (DOR)** assume the number of taxpayers eligible for the tax exemption for relief payments received from police relief associations is unknown. DOR's Division of Taxation would need one temporary tax season employee (a cost of \$6,607) for every 130,000 returns filed with this subtraction and one tax processing technician I for every 3,000 pieces of correspondence regarding this subtraction, and one tax processing technician I for every 30,000 errors generated by the proposal. DOR anticipates placing the exemption on the MO-A form under the current line "other". When this is done, instructions will need to be changed, but programming will not be needed. However, if DOR is required to place a new line on the MO-A form and track the exemption, DOR would need funding for related programming charges (1,384 hours of contract labor at a cost of \$41,617). DOR officials assume the Office of Administration - Division of Budget and Planning will estimate the proposal's impact to general revenue. Based on detailed information received from police relief associations as noted below, **Oversight** assumes that the number of returns affected by the proposal would be minimal, and DOR would not incur administrative costs as a result of the proposal.

Officials of the **Office of Administration** assume there would be no impact on their agency, but would be a possible decrease in total state revenues.

ASSUMPTION (continued)

Oversight assumes that state tax revenues would decrease as a result of exempting benefits paid by police relief associations from state taxes. Oversight obtained additional data from both the Kansas City Police Benefit Association and the St. Louis Police Relief Association. According to officials of the Kansas City Police Benefit Association, the only benefits they pay are in the form of death benefits, which are not taxable. Officials of the St. Louis Police Relief Association provided information concerning lump sum benefits that they pay out to members based on their years of service, which they assume would be taxable to the members. In 1998, the Association paid \$157,725 to 46 recipients and in 1999 paid \$211,650 to 76 recipients. Based on an average paid out for these two years of \$184,688 and assuming up to a maximum tax rate of 6%, the estimated loss of state tax revenues would be \$11,081 annually.

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - State Government</u>			

GENERAL REVENUE

<u>Loss - decreased tax revenues</u>	<u>(\$11,081)</u>	<u>(\$11,081)</u>	<u>(\$11,081)</u>
--------------------------------------	-------------------	-------------------	-------------------

	FY 2001 (10 Mo.)	FY 2002	FY 2003
<u>FISCAL IMPACT - Local Government</u>			

	\$0	\$0	\$0
--	-----	-----	-----

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal would exempt benefits received from police relief associations created by 86.500 to 86.503, RSMo, from state taxes, execution, garnishment, attachment, or any other process whatsoever.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

Total state revenues would be decreased as a result of the proposal.

L.R. NO. 4053-01
BILL NO. HB 2054
PAGE 4 OF 4
March 8, 2000

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Division of Budget and Planning
Department of Social Services - Division of Child Support Enforcement
Kansas City Police Benefit Association
St. Louis Police Relief Association

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
March 8, 2000